

Message Text

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ACTION STR-07

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USMTN

PASS STR ELECTRONICALLY
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E.O.11652:N/A
TAGS: ETRC, MTN
SUBJECT: MTN PRODUCT CATEGORIES

REF: (A) STATE 089590, (B) STATE 090522

1. WE UNDERSTAND AMBASSADORS STRAUSS AND WOLFF RAISED
REF A PROPOSAL WITH EC VP HAFERKAMP AND LUYTEN AT LUNCHEON
APRIL 8 AND RECEIVED DISTINCTLY NEGATIVE RESPONSE. A
FOLLOW-UP CONVERSATION WITH LUYTEN BY MTN DEL APRIL 12 PRO-
DUCED THE SAME RESPONSE. LUYTEN ADDED IT WAS HIS IMPRESSION
THIS PROPOSAL WAS "DEAD" AS RESULT OF APRIL 8 STRAUSS/
HAFERKAMP DISCUSSION. IN RESPONSE TO PROBING FOR SUB-
STANTIVE RATIONALE FOR SO STRDNG A NEGATIVE ATTITUD, LUY-
TEN MADE TWO POINTS:

(A) EC DOES NOT WISH TO ENGAGE IN ANY SUBSTANTIAL
NUMBER OF PRODUCT-SPECIFIC NON-AGRICULTURAL NEGOTIATIONS
AND, IDEALLY, NONE AT ALL. FOR TARIFF CUTS, EC HAS
OFFERED FULL APPLICABILITY OF SWISS FORMULA WITHOUT EXCEPT-
IONS AND ITS REQUESTS FOR IMPROVEMENTS IN U.S. TARIFF OFFER
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WILL BE DESIGNED TO ENCOURAGE U.S. ALSO TO APPLY THE
FORMULA. IF BOTH OF US DO SO, THERE IS LITTLE OR NOTHING
TO DISCUSS AT PRODUCT LEVEL.

(B) FOR NON-AGRICULTURAL NTMS, EC EXPECTS THE CODES
WILL TAKE CARE OF PRACTICALLY ALL THAT CAN REALISTICALLY
BE NEGOTIATED IN MTN TIME-FRAME, SO AGAIN THERE IS LITTLE

OR NOTHING TO DISCUSS BILATERALLY OR MULTILATERALLY AT PRODUCT LEVEL.

2. MTN DEL APPROACHED UKAWA TO GET A READING ON JAPAN'S WILLINGNESS TO PROCEED VIA PRODUCT CATEGORIES, GIVING HIM (ORALLY) AN INDICATION OF AREAS OF INTEREST TO US DRAWN FROM REF B. UKAWA'S REACTION WAS EVEN MORE NEGATIVE THAN LUYTEN'S ALTHOUGH FOR DIFFERENT REASONS. HE SAID TOKYO WOULD READ "PRODUCT CATEGORIES" TO MEAN SECTORAL NEGOTIATIONS WHICH JAPAN OPPOSES. HE ESTIMATED THAT IF U.S. INSISTS NEGOTIATIONS PROCEED THIS WAY, TOKYO WILL BE "THROWN INTO TURMOIL" FOR NEXT FEW WEEKS WHILE THE AGENCIES TRY TO DEVISE AN OFFICIAL RESPONSE; MEANWHILE, UKAWA THOUGHT, WORK IN TOKYO ON U.S. SUPPLEMENTARY REQUEST LIST WOULD FOR ALL PRACTICAL PURPOSES COME TO A HALT.

3. IN DISCUSSION WITH REPRESENTATIVE OF NORDIC COUNTRIES (LEMMEL OF SWEDEN), HE SAID NEGOTIATION BY PRODUCT CATEGORIES SOUNDED LIKE SECTOR NEGOTIATIONS AND THE NORDIC COUNTRIES ARE NOT PREPARED TO ENTER INTO SECTORAL NEGOTIATIONS UNTIL GENERAL NEGOTIATIONS ON CODES AND TARIFFS HAVE BEEN PURSUED TO THE UTMOST. THEN THEY SEE THE POSSIBILITY OF USING SECTORAL NEGOTIATIONS TO GO BEYOND THE GENERAL SOLUTIONS (I.E., TO ACHIEVE RESULTS EVEN MORE LIBERAL). NORDICS FEAR THAT, IF SECTORAL NEGOTIATIONS ARE ENTERED INTO, THERE WILL BE A FRAGMENTATION OF THE MTN AND THERE WILL LIMITED OFFICIAL USE

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BE GREAT PRESSURE IN THE NORDIC COUNTRIES FROM SENSITIVE SECTORS (FOR EXAMPLE, PULP AND PAPER) TO HAVE SECTORAL NEGOTIATIONS IN WHICH OBJECTIVES WOULD BE MINIMUM LIBERALIZATION.

4. JAGMETTI OF SWITZERLAND ALSO EQUATED PRODUCT CATEGORIES WITH SECTOR NEGOTIATIONS AND SAID THE SWISS POSITION IS BASICALLY UNCHANGED, I.E., THEY DO NOT SEE WHAT CAN BE GAINED AT THIS TIME IN PURSUING NEGOTIATIONS ON A SECTORAL BASIS AND FEAR THE IMPACT OF SUCH NEGOTIATIONS IN RELEASING DOMESTIC PROTECTIONIST PRESSURES AFFECTING SWISS POSITIONS IN THE MTN.

5. IN DISCUSSION WITH AUSTRIAN MTN DEL SEGALLA, U.S. DEL RAISED QUESTION OF POSSIBILITY OF EXTENSIVE PRODUCT NEGOTIATIONS IN NEAR FUTURE AND SOLICITED AUSTRIAN COMMENT. SEGALLA REFERRED QUESTION TO WILLENPART, DIRECTOR GATT AFFAIRS, AUSTRIAN MINISTRY OF TRADE. WILLENPART'S REPLY WAS THAT WITHOUT KNOWING ANY DETAILS OF SUCH A PROPOSAL, AUSTRIA'S POSITION WOULD REMAIN OPPOSED TO ANY SECTORAL NEGOTIATIONS UNTIL AFTER GENERAL APPROACHES HAVE BEEN COMPLETED. WILLENPART ALSO COMMENTED THAT IT WOULD BE VERY PREMATURE TO BEGIN SECTORAL DISCUSSIONS BEFORE EC TARIFF

OFFER IS FULLY KNOWN, NOT TO MENTION AUSTRIA'S OWN OFFER.

6. DRAFTED BY CULBERT/BALE/MOORE. MCDONALD

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